

# Governance, Risk and Best Value Committee

10.00am, Tuesday 31 July 2018

## Annual Workforce Controls Report – referral from the Finance and Resources Committee

Item number	7.7
Report number	
Wards	All
Council Commitments	

### Executive summary

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On 12 June 2018 the Finance and Resources Committee considered a report which provided insight into Council workforce metrics and trends for workforce Full Time Equivalent (FTE), new starts and leavers, basic salary, overtime costs, agency costs and sickness absence rates and reasons, for the period January to December 2017. The report has been referred to the Governance, Risk and Best Value Committee for consideration as part of its work plan.

# Terms of Referral

## Annual Workforce Controls – referral from the Finance and Resources Committee

### Terms of referral

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- 1.1 Workforce costs form the largest single element of the Council's revenue budget. The application of robust and effective workforce controls was critical to achieving the savings set out in the Council's Business Plan and associated budget.
- 1.2 A report on the development of a workforce control framework was first reported to the Finance and Resources Committee on 19 March 2015 with subsequent annual reporting provided on 14 January 2016, and 23 February 2017.
- 1.3 The Council had implemented a single workforce dashboard and management information (MI) process to provide the organisation with consistent, regular, and accurate workforce MI/data to facilitate workforce control, strategic workforce planning, and to measure performance. Reporting had now been implemented at the Council, Directorate, and Division/Service level (for certain measures) to provide reliable insight into a range of workforce controls. The recent implementation of workforce dashboards at Directorate level provided regular MI on the monthly variation in Full Time Equivalent (FTE)/costs (by contract type – permanent, Fixed Term Contract (FTC), acting up/ secondment and apprentice), and trend analysis to support workforce management controls. Due to the organisational structure changes and their subsequent impact on our HR Management information system, some of the Directorate level dashboards only provided data from June 2017 rather than January 2017.

### For Decision/Action

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- 2.1 The Governance, Risk and Best Value Committee is asked to consider this report as part of its work programme.

### Background reading / external references

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Finance and Resources Committee 12 June 2018.

**Laurence Rockey**

Head of Strategy and Insight

Contact: Natalie Le Couteur, Committee Services

E-mail: [natalie.le.couteur@edinburgh.gov.uk](mailto:natalie.le.couteur@edinburgh.gov.uk) | Tel: 0131 529 6160

## Links

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### Appendices

Appendix 1 - report by the Executive Director of Resources

# Finance and Resources Committee

10.00am, Tuesday, 12 June 2018

## Annual Workforce Controls Report

Item number	7.10
Report number	
Executive/routine	
Wards	
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### Executive Summary

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This report provides insight into Council workforce metrics and trends for workforce Full Time Equivalent (FTE), new starts and leavers, basic salary, overtime costs, agency costs and sickness absence rates and reasons, for the period January to December 2017.

## Annual Workforce Controls Report

### 1. Recommendations

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- 1.1 The Committee is recommended to:
  - 1.1.1 To scrutinise the progress made to date and note the workforce trends over the period January to December 2017; and
  - 1.1.2 To refer this report to Governance, Risk and Best Value Committee as part of its work programme.

### 2. Background

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- 2.1 Workforce costs form the largest single element of the Council's revenue budget. The application of robust and effective workforce controls is critical to achieving the savings set out in the Council's Business Plan and associated budget.
- 2.2 A report on the development of a workforce control framework was first reported to the Finance and Resources Committee on 19 March 2015, with subsequent annual reporting provided on 14 January 2016, and 23 February 2017.
- 2.3 Since the last report update to committee, the Council has implemented a single workforce dashboard and management information (MI) process to provide the organisation with consistent, regular, and accurate workforce MI/data to facilitate workforce controls, strategic workforce planning, and to measure performance. Reporting has now been implemented at the Council, Directorate, and Division/Service level (for certain measures) to provide reliable insight into a range of workforce controls. The recent implementation of workforce dashboards at Directorate level provides regular MI on the monthly variation in Full Time Equivalent (FTE)/costs (by contract type – permanent, Fixed Term Contract (FTC), acting up/secondment and apprentice), and trend analysis to support workforce management controls. Due to the organisational structure changes and their subsequent impact on our HR management information system, some of the Directorate level dashboards only provide data from June 2017 rather than January 2017.

### 3. Main report

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- 3.1 This report provides MI and analysis to show the current position and trends across five core areas of workforce controls. The reporting provides analysis at both the organisation and directorate level. The analysis provides insight into:
- Full Time Equivalent employee population (FTE) and trends;
  - Basic salary costs for the FTE employee population and trends;
  - FTE and basic salary costs of new starts and leavers;
  - Overtime costs and trends;
  - Agency costs for primary, other, and off-contract suppliers and trends; and
  - Sickness absence rates, the reasons and costs of absence, and the impact of open ended long-term absence cases on organisation FTE.
- 3.2 For each of these measures, the reporting shows the position at December 2017, and month on month variation and trends observed since January 2017. The reporting also considers the current position and trends in the context of the earlier position at 2016.
- 3.3 A significant amount of structural change was implemented in the Council's HR management information system in 2017, and a new centralised data and MI reporting process was introduced by HR in June 2017 which allows for consistent and accurate reporting of workforce data for all new Council Directorates. Directorate level MI has been made available in this report, where data reconciliation between old and new structures has been possible, to give insight into the workforce control data below the organisation level and help understand the main reasons for organisation trends.
- 3.4 We also continue to see legislative changes which we are required to adopt. This includes factors such as travel expenses, shared parental leave and casual worker entitlement. Typically, such changes have cost implications. Whilst workforce planning can mitigate some of this, there will invariably be some unquantifiable additional costs.

#### **Summary**

- 3.5 The reporting period saw a consistent rising trend in FTEs amounting to an increase of 414 FTE. New starters account for around 21% of the total increase, with the balance being in part due to the adjusted reporting in 2016 of 250<sup>1</sup> FTE and contractual changes in our existing workforce (e.g. additional contracts or additional contractual hours).
- 3.6 Basic salary costs have also shown an upward trend, increasing by £18.8M in the period. Whilst much of this increase will be due to the increase in FTE, around £8.5M is due to the application of the 2017/18 annual pay award (c5.3 M) and pay steps (contribution based pay (CBP) and pay progression).

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<sup>1</sup> Reported at F&R Committee June 2017

- 3.7 The basic salary cost for new joiners to the organisation was £2.1M lower than the cost of employees leaving the organisation as new starters tend to be appointed at the bottom of the grade, however this saving was offset by additional costs from additional FTE increases (existing population), the pay award and pay steps.
- 3.8 Fewer employees left the organisation under Voluntary Early Release Arrangement (VERA)/Voluntary Redundancy (VR) in the 2017 period than in 2016; there were 201 (177 FTE) VERA/VR leavers between January and December 2017, with a basic salary cost of £6.1M. This is due to the majority of reviews under Transformation completing in 2016, with the final stages completing in 2017/18. The Council pledge of no compulsory redundancy remains in place with the current administration. The enhanced voluntary redundancy payments agreed by the previous administration remain in place to incentivise early release.
- 3.9 A slight downward trend was observed for agency spend over the 12-month period. The total agency spend for the year was £18.8M, with an average monthly cost of approx. £1.6M.<sup>2</sup> It is noted that 93% of all agency spend was linked to the primary and other contracted suppliers. Approximately 40% (£7.6m) was paid through the social care agency workers framework, 29% (£5.5m) was spent in Waste and Cleansing, Health and Social Care and Customer/Business Support via the Pertemps contract and 11% (£2M) was paid to the previous supplier Addeco. The remaining 3.7M agency spend was spread across the Council. At its meeting on 1 December 2016 the Committee approved a change of agency supplier to Pertemps Recruitment Partnership Limited (“Pertemps”) and this contract came in effect on 12 June 2017. The new contract provides the Council greater value for money and based upon indicative historical spend for temporary agency staff there is a project cost saving of £713,036 over the contract period (including extension) compared with the previous negotiated rates. A second procurement exercise is currently underway for the provision of social care agency workers as the current framework agreement is due to end on 31 July 2018.
- 3.10 A slight downward trend was observed for overtime spend (down £40K) over the 12-month period despite the impact of the pay award and pay steps (post April 2017) on hourly rates.
- 3.11 Lost working time due to ill-health, or sickness absence, continued to rise, increasing from 5.21% to 5.41% over the period, with an estimated annual cost in the region of £23M in lost productivity. There were 172,000 days lost to absence in 2017; 32.1% of this absence was short term, and 67.9% was long term (more than 4 weeks). All directorates showed an increase in absence, except Place. The primary causes of long-term absence were stress, both work and non-work related, and mental health related illness.

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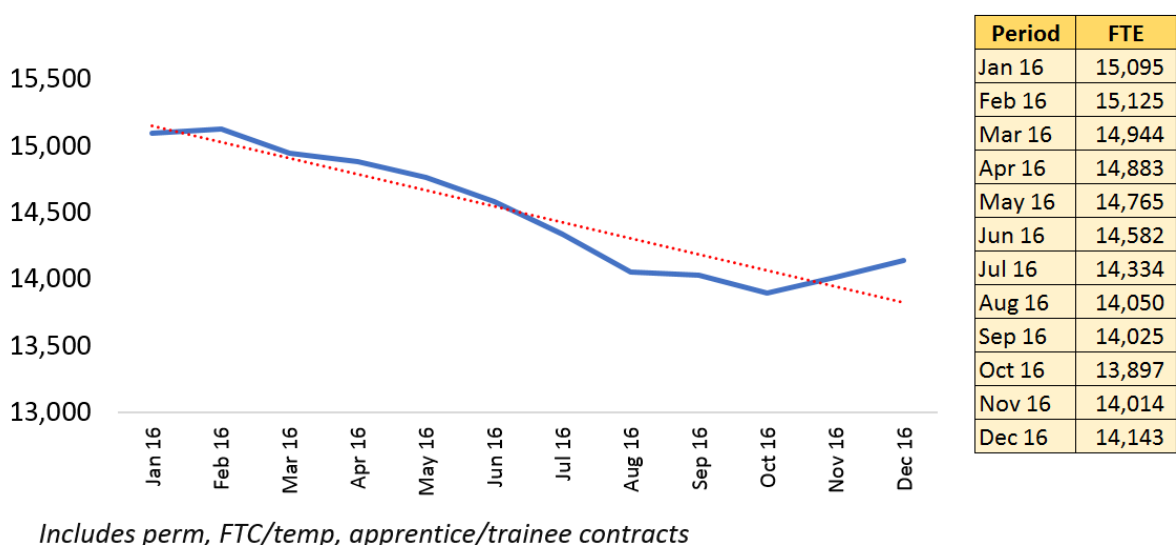
<sup>2</sup> Figures quoted are based on invoices paid in each month and may change slightly once Commercial and Procurement Services complete April invoice reconciliation to work completed within 2017/8.

3.12 The 2016 period saw a significant reduction in FTE from January to December as part of the Transformation change programme. Over the same period, absence levels in the organisation increased and have continued to increase throughout 2017. It is recognised that the increase in sickness absence levels has been caused, in part by the impact of reduced FTE and a number of initiatives have been introduced during 2017 to better support employees and managers. It is anticipated that the effects of these initiatives will begin to be felt during 2018.

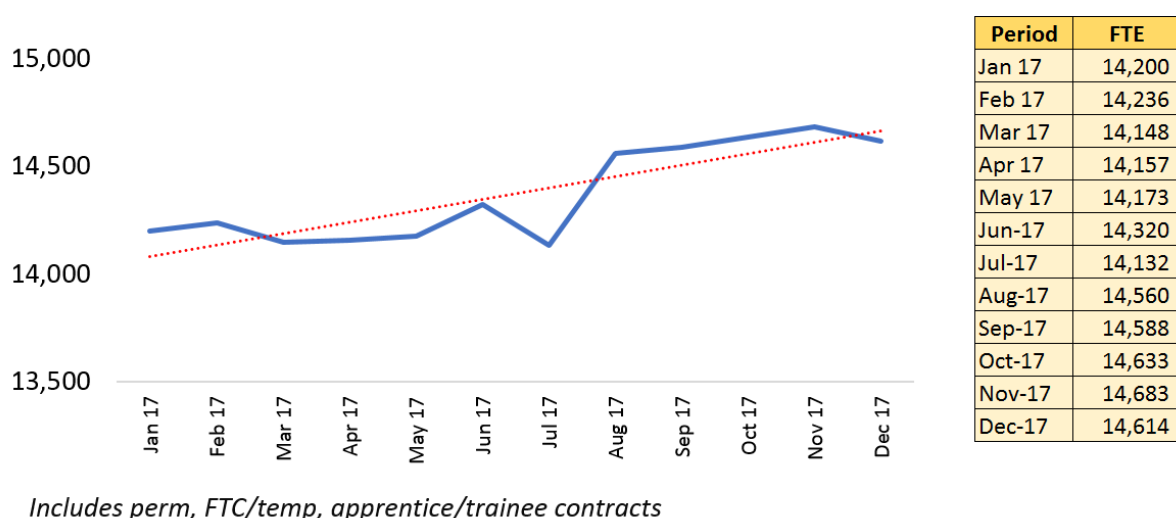
**Workforce FTE**

3.13 Following large scale workforce FTE reduction in 2016 where our population reduced by 952 FTE over the 12-month period (see Figure 1), 2017 saw a general upward trend in our FTE (see Figure 2) with an overall FTE increased by 414 FTE between January and December 2017.

**Figure 1: Organisation FTE Trend 2016**



**Figure 2: Organisation FTE Trend 2017**



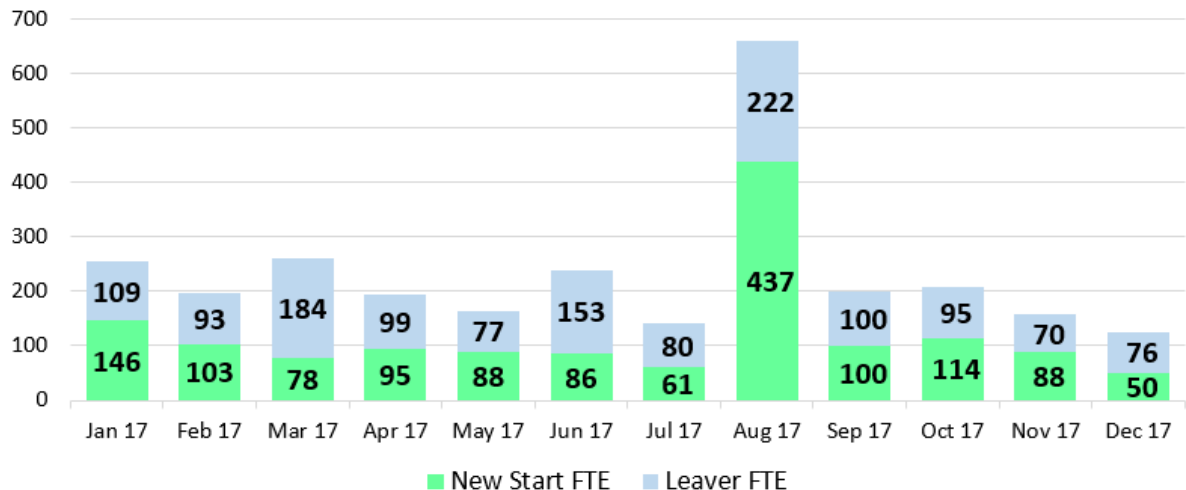
3.14 The greatest overall increase in FTE was observed in August and this was attributable to the appointment of additional teaching and school support resource



in Communities and Families, linked to greater Pupil Equity Funding being made available to the local authority. The total PEF funding allocated to Edinburgh for 2017/18 was £7.472m. PEF funding is targeted at closing the poverty related attainment gap to enable schools to deliver activities, interventions or resources which are additional to those already in plan. The primary focus is on activities and interventions that will lead to improvements in literacy, numeracy and health and well-being. As a result, any teachers recruited through PEF are excluded from the authority's contribution to any national teacher numbers and/or ratio commitment. FTE increased by 428 in August, 389 FTE of this was in Communities and Families, with 343 FTE in the primary and secondary schools structure. The August period figures also include the increase to basic salaries/linked payments resulting from application of the national pay award (£350/1%).

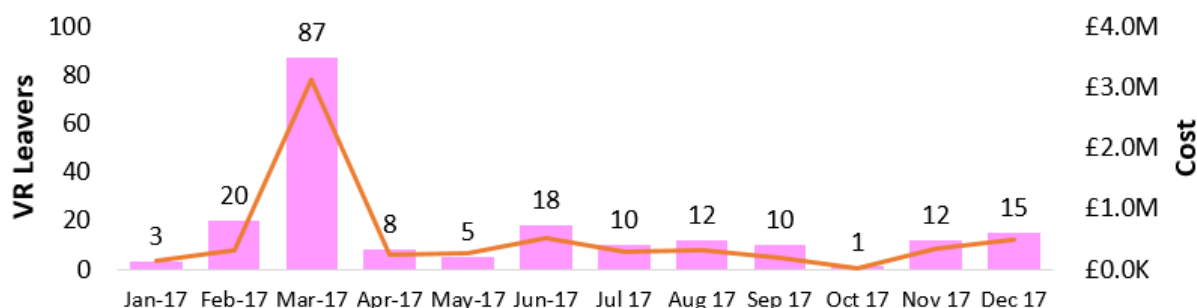
- 3.15 The usual seasonal FTE fluctuation was observed in the July 17 period, due to the end of the school year and associated contractual changes (e.g. ending of fixed term contracts); this is not visible in the 2016 trend due to employee reductions from transformation organisational reviews.
- 3.16 Over the year, there were 1446 new starts to the organisation and 1358 leavers, giving a net increase of 88 FTE from new starts. A breakdown of new starts and leavers in each month is shown in Figure 3. The main increase in total FTE increase across the Council in the year was attributable to contractual changes in the existing workforce (e.g. additional contracts or additional contractual hours).

**Figure 3: FTE: Organisation New Starts and Leavers, January – December 2017**



- 3.17 In 2017, 201 employees (177 FTE) left the Council (with total basic salary cost of £6.1M), as a result of VERA/VR arrangements linked to organisational reviews, with a peak in leavers at March 2017. This group of 177 FTE represents 13% of organisation leavers in the 2017 12-month period. These leavers are included in the organisation leaver data referred to in this report (FTE and costs). Figure 4 shows the total VERA/VR leavers over the year and the associated salary costs.

**Figure 4: Organisation VERA/VR Leavers and Basic Salary Cost, January – December 2017**

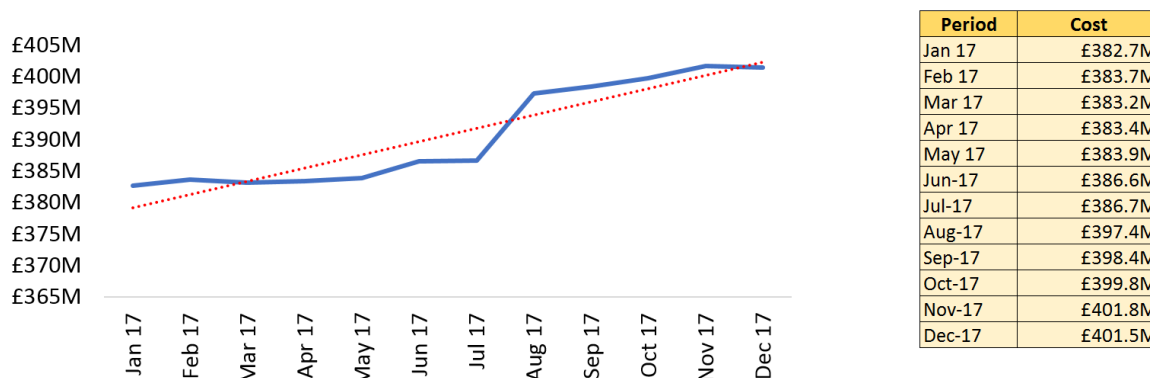


- 3.18 By comparison, in 2016 there were 700 VR/VERA leavers (FTE 651) with a total salary cost of £28.3M. This group of 651 FTE represented 32% of all organisation leavers in 2016.
- 3.19 The Council implemented a suite of workforce MI dashboards in June 2017 which provide additional insight into how the increase in overall FTE is comprised. Appendix 1 provides information on the FTE trend at the directorate level between June and December 2017. This data shows that the upward trend in FTE was not consistent across all directorates. Ongoing organisational reviews in Edinburgh Health and Social Care Partnership, Resources and the Chief Executive’s Service led to overall FTE reductions for these directorates between June and Dec 2017.
- 3.20 Organisation FTE increases are predominantly linked to Communities and Families, which saw the largest FTE increase of 330, from 6579 (June) to 6909 (Dec). Place and Chief Executive: Safer and Stronger Communities also saw increases, but on a smaller scale, increasing by 86 FTE and 18 FTE respectively.

**Workforce Basic Salary Cost**

- 3.21 In 2017 our basic salary costs increased by £18.8M, from £382.7M to £401.5M:

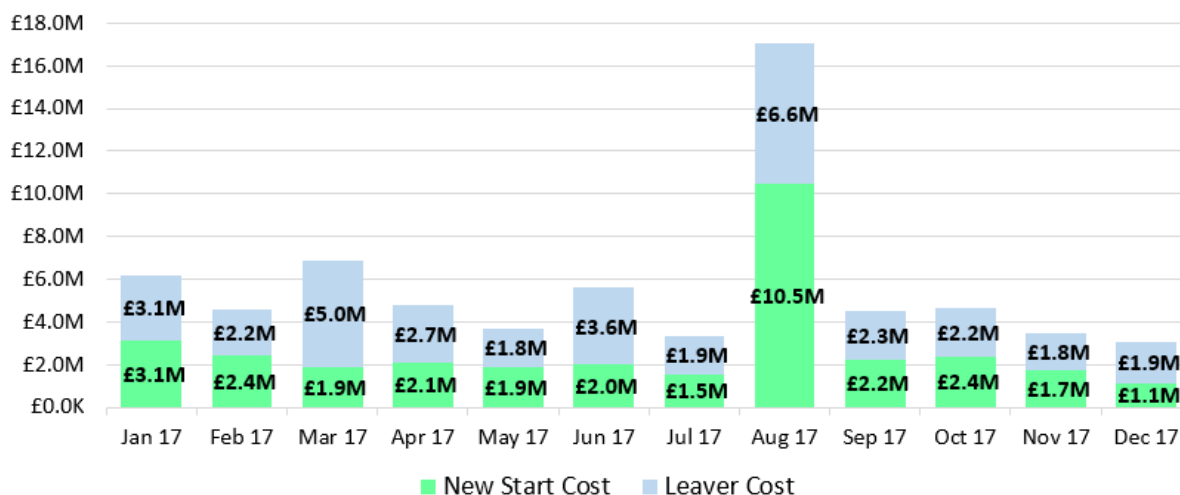
**Figure 5: Organisation Basic Salary Cost Trend, January – December 2017**



*Includes perm, FTC/temp, apprentice/trainee contracts*

3.22 Over the 12 months the total cost of new starters was £32.9M and leavers was £35M, giving a net saving of £2.1M in this area, see Figure 6. This means that the cost of new employees joining the organisation was lower than the cost of those employees that left in 2017.

**Figure 6: Basic Salary Cost: Organisation New Starts and Leavers, January – December 2017**



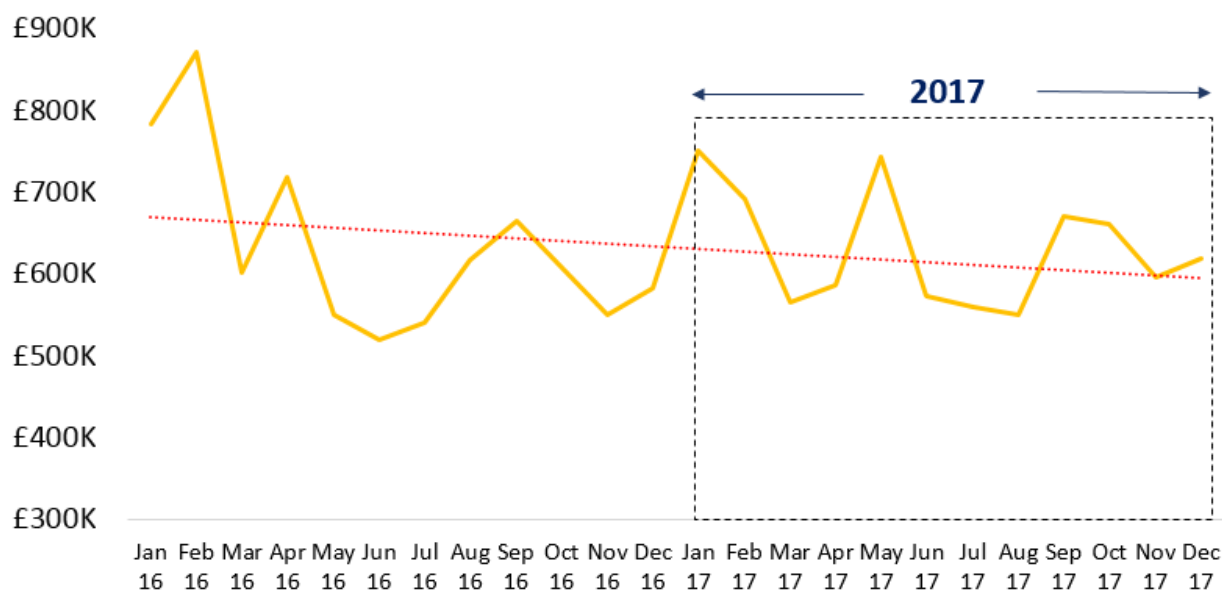
3.23 In addition to the pay award and CBP/pay progression, the additional increase in to basic salary costs observed in 2017 can be attributed to our rising FTE; where an overall increased FTE of 414 with an average salary cost of £20K yields a total approx. cost of £8M). The total extra cost of this FTE has been offset by the savings made from new starts/leavers (£2.1M).

3.24 Appendix 2 highlights the difference in basic salary cost trend between June and Dec 2017 across our Directorates. Basic salary cost trends are generally in line with the FTE changes observed in directorates over the same period – cost increases took place in Communities and Families, Place, and Safer and Stronger Communities. The slight cost increase in Resources, despite headcount reduction, is due to a small number of grade changes, a limited number of additional senior roles (G8-10) and the appointment of the Executive Director post, as this was previously covered through acting up arrangements without backfill.

**Workforce Overtime Costs**

3.25 Our total overtime expenditure in 2017 was £7.57M compared with £7.61M in 2016, a reduction of approx. £40K. Figure 7 shows the slight downward trend in overtime costs between Jan 2016 and Dec 2017.

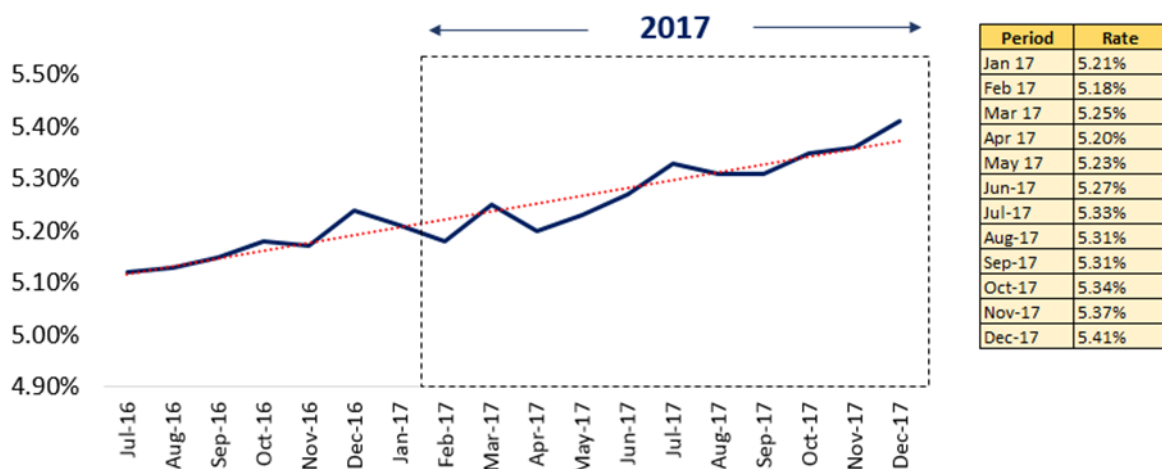
**Figure 7: Organisation Overtime Cost, January 2016 – December 2018**



**Workforce Absence**

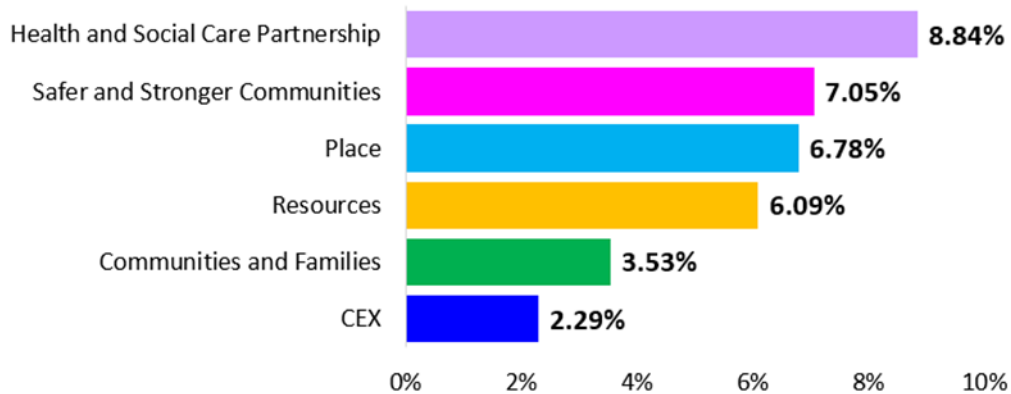
- 3.26 Our 12-month rolling absence rate steadily increased from 5.21% in Jan 2017 to 5.41% in December 2017. At December 2017 our total absence rate was 5.41%, with a short-term rate of 1.74% and a long-term rate of 3.67%.
- 3.27 The organisation absence trend is shown in Figure 8 for the period July 2016 to December 2017. The graph provides data from July 2016 and shows the upward trend has continued over the 18-month period. Over the 12 months January to December 2017, the Council lost 172,000 days to sickness absence – 32.1% of the days were lost to short term absence and 67.9% were lost to long term absence. The estimated cost to the organisation of all absence in 2017 was in the region of £23M.

**Figure 8: Organisation Absence Trend (July 2016 – December 2017) 12 month rolling**



- 3.28 Detail on the rolling absence rate by directorate is shown in Figure 9, with the highest absence figures showing in Edinburgh Health and Social Care Partnership.

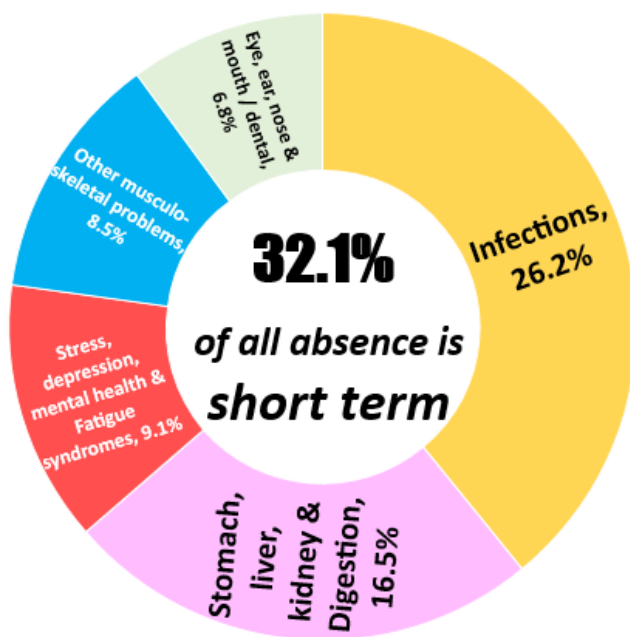
**Figure 9: Rolling Absence Rates by Directorate, January – December 2017**



3.29 Absence trends by Directorate are available for the period June – December 2017, and are captured in Appendix 2. The trend analysis shows upward absence trends in all directorates, except Place which has experienced a reduction in absence, understood to be linked to targeted absence management across hotspot services during 2017.

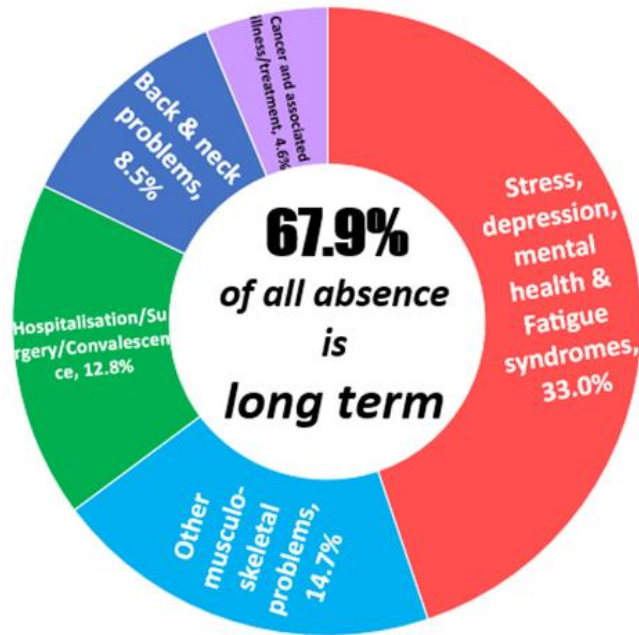
3.30 Figure 10 and Figure 11 report on the top 5 reasons for both short and long-term absence at the organisation level from January to December 2017.

**Figure 10: Top 5 Reasons for Short Term Absence**



Infections were the top reason for short term absences (26.2%); followed by stomach, liver, kidney, and digestion issues (16.5%); stress, depression, mental health, fatigue, and associated conditions (9.1%); musculoskeletal problems (8.5%); and then eye/ear/nose/mouth and dental issues (6.8%).

**Figure 11: Top 5 Reasons for Long Term Absence**

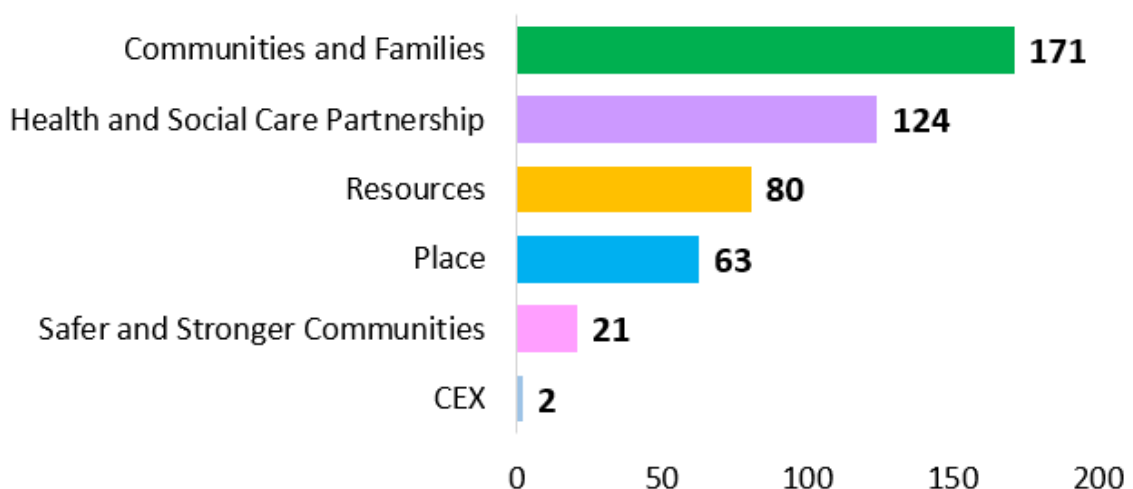


Stress, depression, mental health, fatigue, and associated conditions account were the top reason for long term absence (33% of all long-term absence); followed by musculo-skeletal problems (14.7%); hospitalisation/convalescence (12.8%; back and neck problems (8.5%); and cancer/associated illness and treatment (4.6%).

3.31 At December 2017 there were 556 open ended long-term absences (equivalent FTE of 461) with the majority of cases ongoing for less than 3 months. Of the longer-term cases, 46 employees had been absent for longer than 12 months at December 2017 with the most frequent cause being stress, depression, mental health, fatigue, and associated conditions - a third of all cases falling into this category.

3.32 Long term absence rates during 2017 showed a correlation with use of agency, and fixed term contracts during the same period. Figure 12 shows a snapshot the FTE lost across directorates to open ended long-term absence cases at December 2017.

**Fig 12: FTE Lost to Open Ended Long-Term Absence Cases, by Directorate, December 2017**



3.33 Best practice from Place has been shared across all Directorates. Regular absence dashboards and detailed data reporting have been provided at Directorate level to enable senior managers to identify hotspots and trends and to begin to measure the effectiveness of interventions. Support and Challenge Panels, line management training and consistent application of absence management processes across all directorates were rigorously followed during 2017. The first quarter of 2018 has seen some reduction in total open ended long-term absence cases. However, it is expected to take some time before the impact of interventive actions sees a reduction in the overall absence rolling rates.

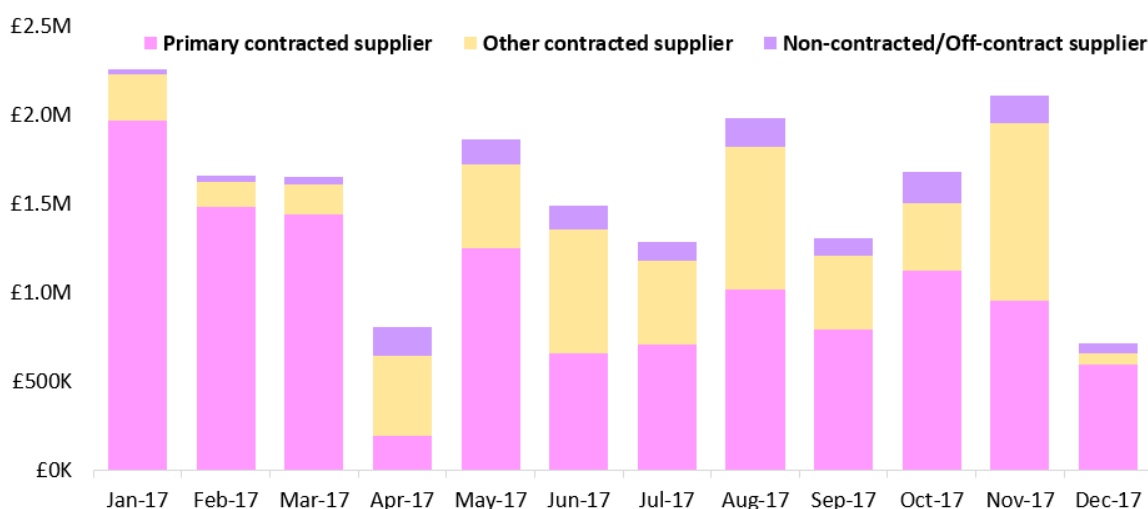
**Agency Costs**

3.34 Figure 13 shows monthly agency billing in 2017 for the primary supplier (Pertemps since June 2017), our other contracted suppliers, and off-contract suppliers for agency staffing. Due to the nature of the billing process for agency staffing, we see some significant month on month fluctuations in the cost data, however the trend analysis (Figure 14) shows that between April 2016 and December 2017 the organisation has experienced a slight downward trend in agency spend.

3.35 Our total agency spend for the year was £18.8M, with an average monthly cost of approx. £1.6M. The primary and other contracted suppliers (£17.5M) accounted for 93% of all agency spend, with 7% (£1.3M) of the total spend attributable to off-contract suppliers.

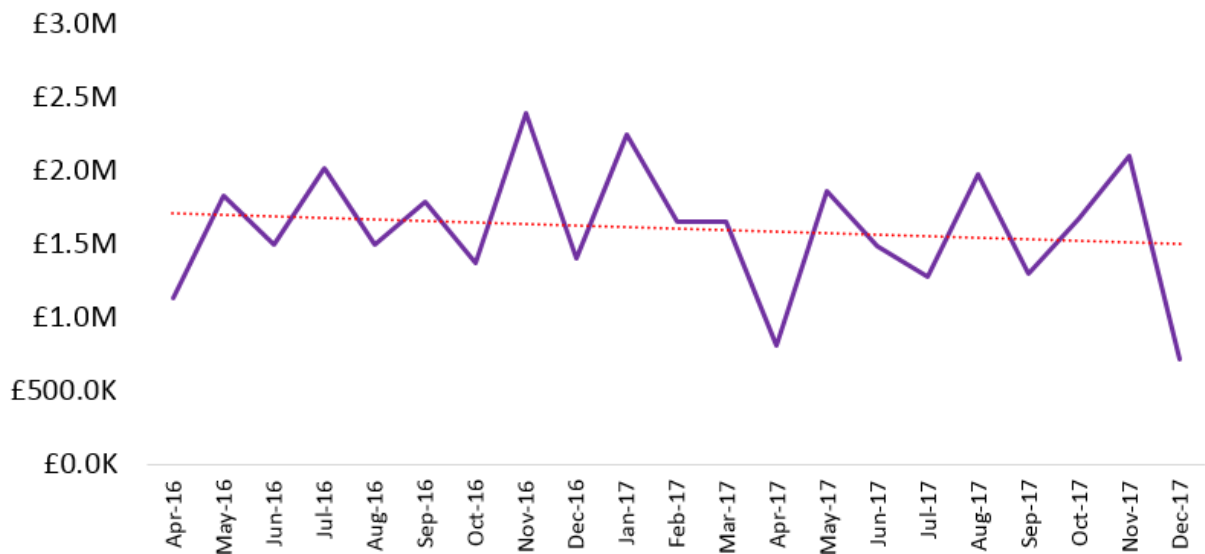
3.36 Development of a workforce resourcing dashboard is in progress to provide further insight into agency resource utilisation.

**Figure 13: Organisation Agency Costs, January – December 2017**





**Figure 14: Organisation Agency Cost Trend, April 2016 – December 2017**



## 4. Measures of success

- 4.1 Organisational workforce controls are aligned to the aims of our People Strategy, where our workforce reflects the city in which we operate, our organisation is the right size and shape to deal with challenges and deliver the change and services needed to deliver our strategic aims and outcomes. A Diversity and Inclusion dashboard is being developed which will be available shortly and will include comparative data on our workforce profile with our Edinburgh Community.

## 5. Financial impact

- 5.1 In the 2017 period the basic salary bill increased by £18.8M due to the increased size of the workforce, the annual pay award and pay steps. The total working days lost to sickness absence had an estimated financial impact of approx. £23M over the 12 months to December 2017. It should however be noted that the majority of these costs are opportunity costs relating to lost productive working time, because broadly similar salary costs would have been incurred had individuals been in work.

## 6. Risk, policy, compliance, and governance impact

- 6.1 Effective workforce management and reporting arrangements are essential to ensure that the Council can manage and control workforce costs, strategically plan for future change and measure performance.



## 7. Equalities impact

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- 7.1 There are no significant equalities impacts arising from this report, although the Committee is advised that a Diversity and Inclusion workforce dashboard is currently under development which will complement existing reporting further.

## 8. Sustainability impact

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- 8.1 There is no sustainability impact from this report.

## 9. Consultation and engagement

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- 9.1 Consultation and engagement with key stakeholders, including leadership teams, Trades Unions and elected members is ongoing.

## 10. Background reading/external references

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- 10.1 [Annual Workforce Controls Report](#) – report to Finance and Resources Committee 23 February 2017.

### **Stephen S. Moir**

Executive Director of Resources

Contact: Katy Miller, Head of Human Resources

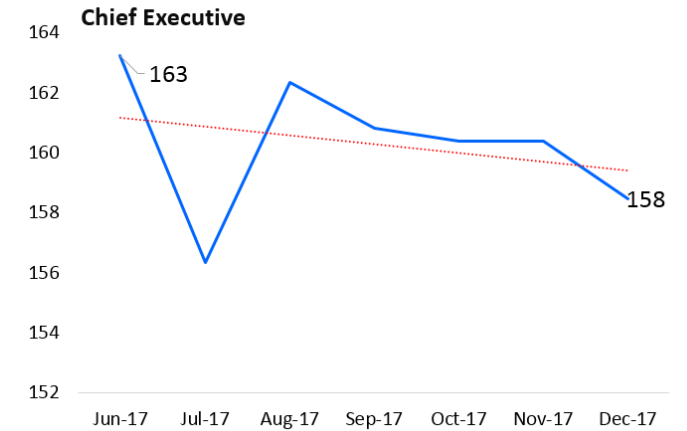
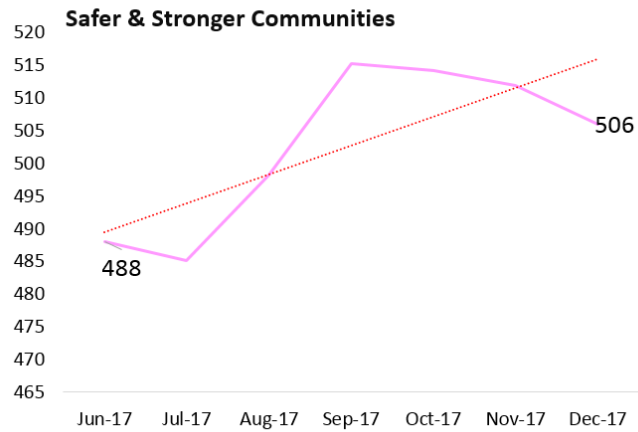
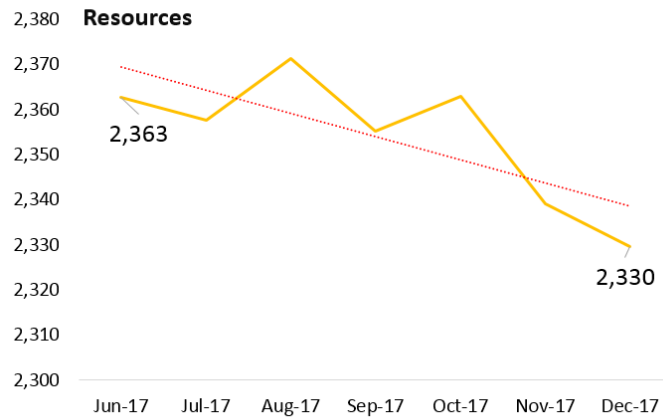
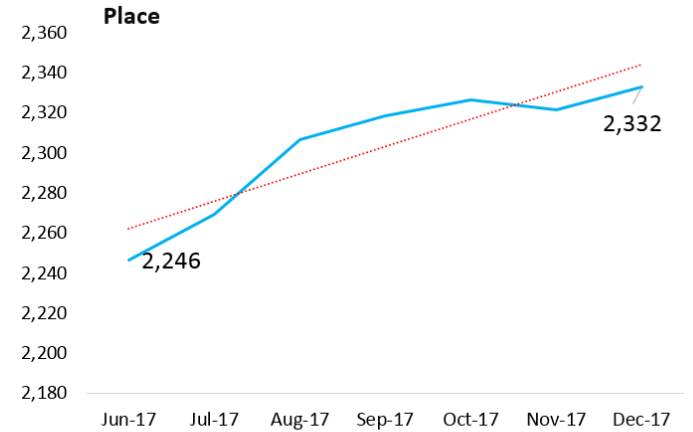
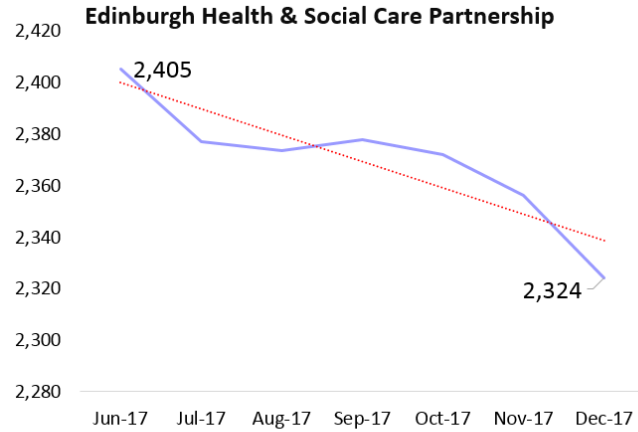
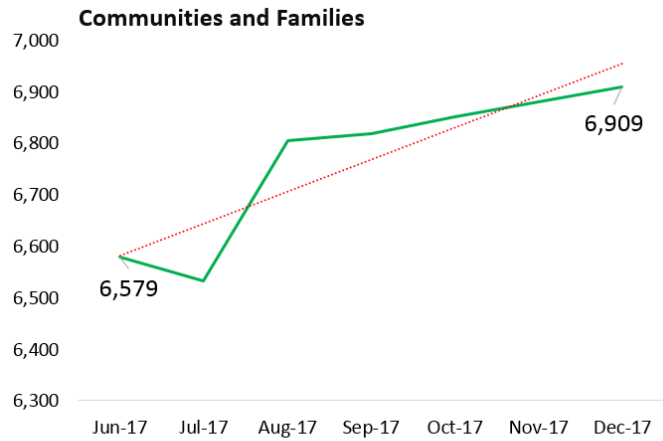
E-mail: [katy.miller@edinburgh.gov.uk](mailto:katy.miller@edinburgh.gov.uk) | Tel: 0131 469 5522

## 11. Appendices

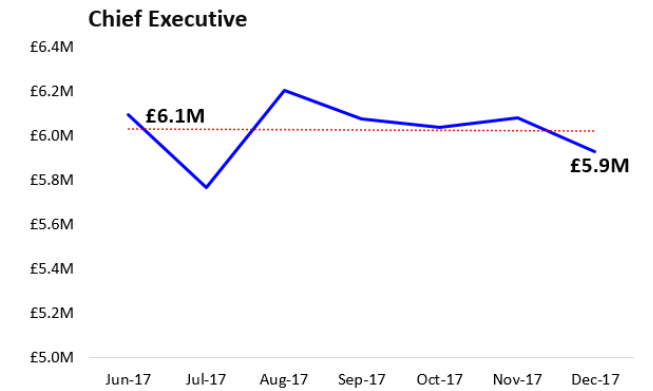
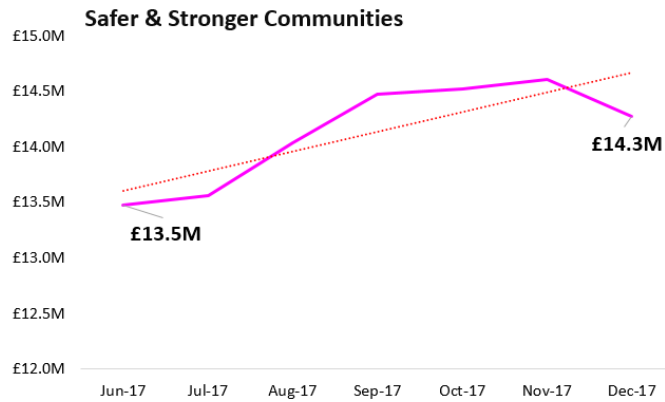
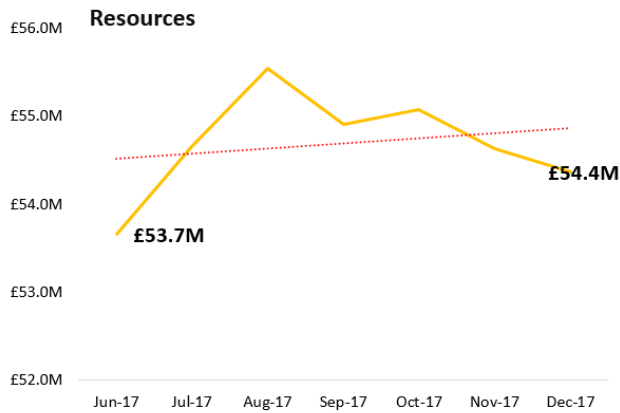
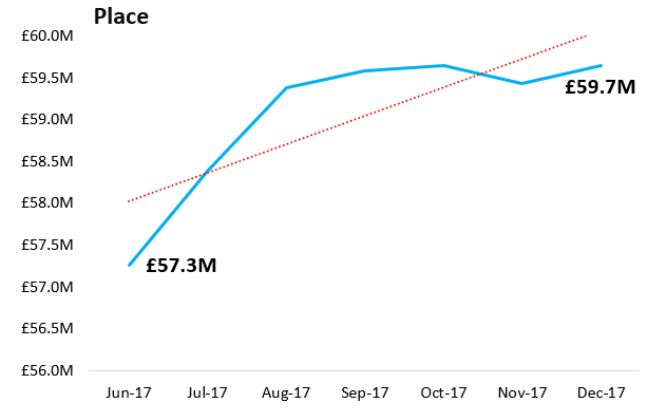
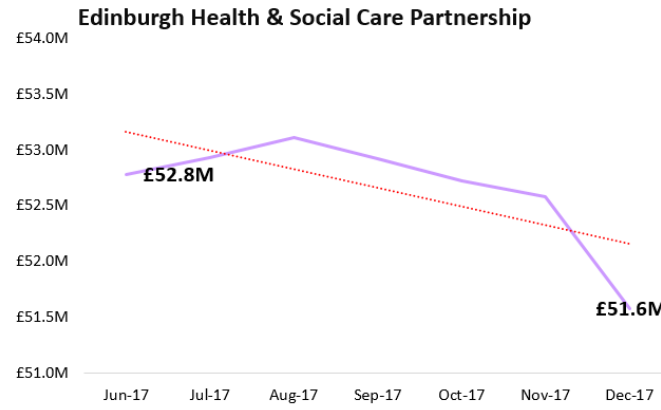
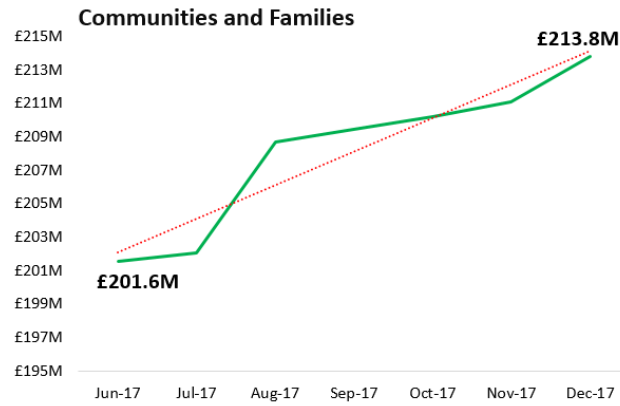
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Appendix 1	Directorate FTE Trends, January – December 2017
Appendix 2	Directorate Basic Salary Cost Trend, January – December 2017
Appendix 3	Annual Workforce Controls

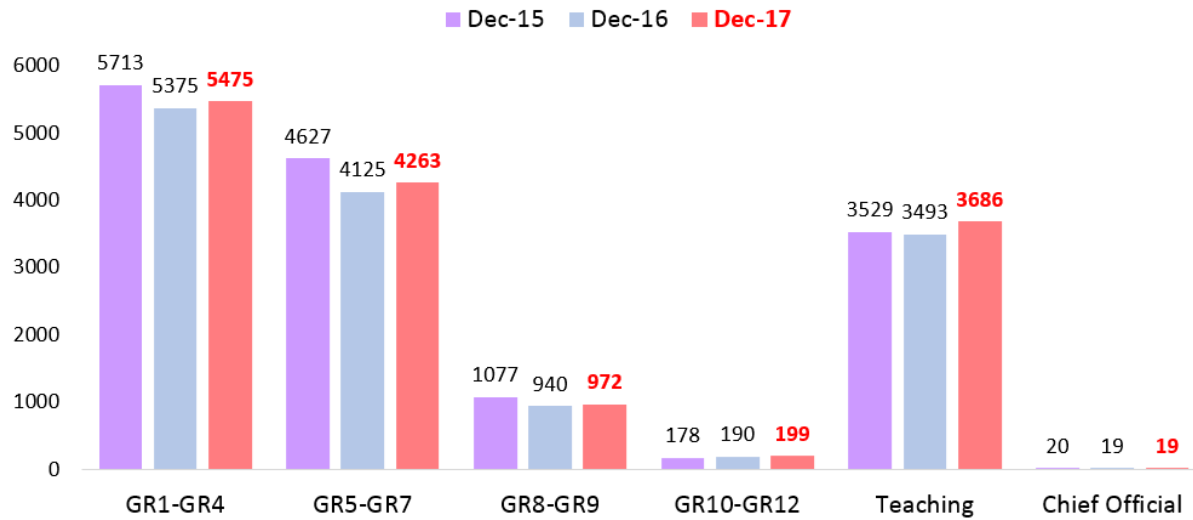
## APPENDIX 1: Directorate FTE Trends, January – December 2017



## APPENDIX 2: Directorate Basic Salary Cost Trend, January – December 2017



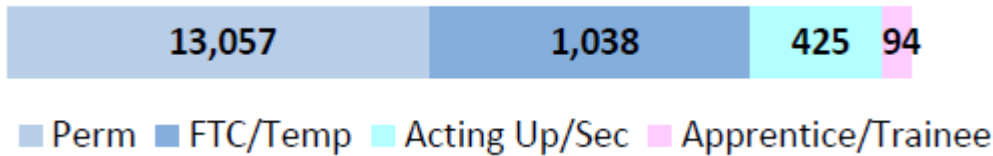
**Workforce FTE by Grade (December 2015, 2016 and 2017)**



**Workforce FTE Variation by Grade (Dec 16 and Dec 17)**

	Dec-16	Dec-17	Variation
GR1-GR4	5375	5475	+ 1.86%
GR5-GR7	4125	4263	+ 3.34%
GR8-GR9	940	972	+ 3.43%
GR10-GR12	190	199	+ 4.57%
Teaching	3493	3686	+ 5.53%
Chief Official	19	19	0.00%

Workforce FTE by Contract Type – December 2017



Projected Annual Basic Salary Cost by Directorate at December 2017

Directorate	Cost by Contract Type				Total Cost
	Perm	FTC/ Temp	Acting Up/ Secondment	Apprentice/ Trainee	
Communities and Families	£191.3M	£20.8M	£1.3M	£349K	£213.8M
Health and Social Care Partnership	£51.0M	£345K	£270K	£0K	£51.6M
Place	£58.4M	£667K	£20K	£572K	£59.7M
Resources	£51.6M	£2.0M	£209K	£596K	£54.4M
Safer and Stronger Communities	£13.6M	£602K	£102K	£0K	£14.3M
Chief Executive	£5.5M	£316K	£61K	£68K	£5.9M
Surplus/Redeployment Group	£1.8M	£47K	£17K	£0K	£1.8M
<b>Grand Total</b>	<b>£373.1M</b>	<b>£24.8M</b>	<b>£2.0M</b>	<b>£1.6M</b>	<b>£401.5M</b>

Projected Annual Basic Salary Cost by Contract Type at December 2017

